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INTRODUCTION

Building Blocks, Inc. (BB) entered into contract #BA-03-41005 with the Michigan Family Independence Agency (FIA) to provide a Before and After School Program (BA) for TANF eligible children in grades K-9. Programming included: a life skills program, which included decision-making, stress and anger management, drug and alcohol abuse prevention, group discussions, field trips, nurturing course for parents, and recreational activities. BB will provide nutritional breakfasts and snacks daily and transportation for children when necessary. The contract totaled \$75,000 and covered the period October 1, 2002 through June 30, 2003. BB was reimbursed for their actual costs of providing the program through submission of monthly billings to FIA.

SCOPE

The Office of Internal Audit performed an audit of Building Blocks, Inc. to determine if the Agency's billings were accurate, allowable, and properly supported by the accounting records and supporting documentation in accordance with the terms of the contract. Our review covered the period October 1, 2002 through May 9, 2003. We also tested case files to determine if TANF forms were on file to document eligibility for the students who participated in the program.

EXECUTIVE SUMMARY

Based on our audit, we conclude that BB overbilled FIA \$8,199.80 as of June 9, 2003. The transportation, fringe benefits and supplies line items were overbilled and the salaries expense was underbilled. Total amount billed, including the bill ending May 9, 2003 equals \$68,731.49. The audited expense at May 9, 2003 is \$60,531.69. Our report recommends the Field Services Administration (FSA) recoup \$8,199.80 in overbilled expenses from BB for the contract year 2003.

Based on our review of TANF forms, we concluded that the forms had not been completed properly for the participants, and that the contractor served both TANF and Non-TANF eligible students.

BUILDING BLOCKS, INC RESPONSE

The management of BB has reviewed all the findings and recommendations included in this report. They have responded to each finding in a letter dated July 22, 2003. While disagreeing with the findings, they state that they will cooperate to resolve the findings.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Salaries and Fringe Benefits

1. BB underbilled FIA \$4,469.93 (\$5,319.93 - \$850.00) for salaries and overbilled \$5,273.90 (\$534.20 + \$4,739.70) for fringe benefits because their actual costs differed from the amount billed. For salaries BB charged \$5,319.93 of a teacher's salary to transportation/bus driver. The actual charge was for this teacher's salary. Also for the same teacher, BB charged \$850.00 salary to FIA when the payroll records actually show no payment was made. For fringe benefits BB charged FIA \$534.20 more than actual costs for FICA and \$4,739.70 more than actual costs for health insurance.

Transportation

2. BB overbilled FIA \$6,567.13 (\$5,319.93 + \$1,247.20) for transportation expense because they billed the budgeted amount rather than billing for actual costs incurred for the bus driver, and billed vehicle expense that was not allowable according to the contract budget.

Supplies

3. BB overbilled FIA \$828.70 for supplies because they charged for items for which they did not have proper documentation and they charged for items that were not allowable per the contract budget.

WE RECOMMEND the FSA recoup overpaid expenses of \$8,199.80 from Building Blocks, Inc. for the contract year 2003.

WE ALSO RECOMMEND that the FSA require Building Blocks, Inc. to develop a method for keeping accurate time records for the bus driver and teacher's salary expense.

Payroll

4. BB did not have time records for salaried personnel. There were three full time employees for the Before & After contract but BB had no documents showing the hours spent on the job. The contract states that BB should have a method of documenting employee time.

WE RECOMMEND FSA have BB implement a method for recording the time employees are on the job.

Bus Driver Record

5. We found that the Bus Driver had 4 traffic violations on his driving record according to the personnel file. For the safety of the children being transported BB should ensure that the Bus Driver employed have a good driving record.

WE RECOMMEND FSA have BB implement a system for ensuring that their Bus Driver has a good driving record.

FICA Payments

6. We found that all FICA payments made to U.S. Treasury had not been cashed. Checks had been written for the payroll obligation, but since 12/02 none of the checks had cleared BB's bank.

WE RECOMMEND FSA have BB show FIA that these payments have been made.

Case File Review

7. We reviewed client case records to determine if the required TANF forms were on file. We selected a sample of 9 case records out of a population of 25 and found that only one of the TANF forms, FIA-3041, Request for Services by the Federal TANF Block Grant, were signed by BB. BB was not documenting on the TANF form that they had determined that the child was eligible for services. According to the contract this form needs to be completed by BB.

WE RECOMMEND FSA have BB complete the necessary forms for future contracts.